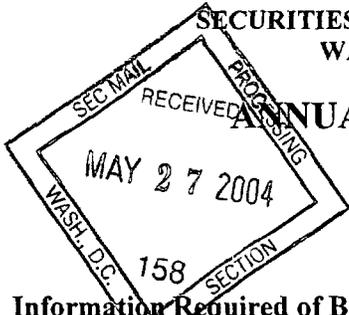




5/28

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	December 31, 2002
Estimated average burden hours per response.....	12.00

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549



**ANNUAL AUDITED REPORT
FORM X-17 A-5
PART III**

SEC FILE NUMBER
8-12242

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING April 1, 2003 AND ENDING March 31, 2004
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER DEALER:

Daiwa Securities America Inc.
(Filed as Confidential Information)

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

Financial Square - 32 Old Slip
(No. and Street)
New York New York 10005
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Edmund Towers (212) 612-6352
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG LLP
(Name - if individual, state last, first, middle name)
757 3rd Avenue New York New York 10017
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions

PROCESSED
JUN 02 2004
THOMSON FINANCIAL

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

Contents of Report

This report contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Operations.
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity.
- (f) Statement of Changes in Subordinated Liabilities.
- (g) Computation of Net Capital for Brokers and Dealers pursuant to Rule 15c3-1.
- (h) Computation for Determination of Reserve Requirements pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements for Brokers and Dealers under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the Audited and Unaudited Statements of Financial Condition with Respect to Methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A Report Describing any Material Inadequacies Found to Exist or Found to Have Existed Since the Date of the Previous Audit.
- (o) Independent Auditors' Report on Internal Accounting Control.
- (p) Supplementary Schedules, pursuant to CFTC Regulations.



Financial Square • 32 Old Slip • New York, NY 10005-3538

Daiwa Securities America Inc.

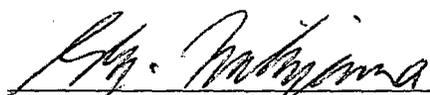
Tel: (212) 612-7000 Fax: (212) 612-7100

May 7, 2004

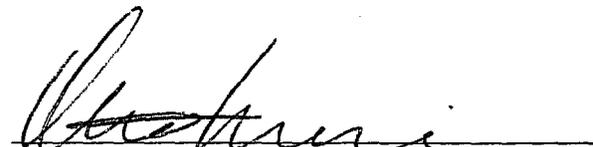
State of New York }
 } ss:
County of New York }

We, the undersigned, officers of Daiwa Securities America Inc., affirm that, to the best of our knowledge and belief, the accompanying financial statements and supplementary schedules as of March 31, 2004, are true and correct. We further affirm that accounts of officers and directors are included in receivable from and payable to customers and, in the aggregate, are not significant.

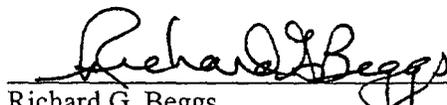
In addition, as members or allied members of the New York Stock Exchange, Inc., we affirm that the attached financial statements and supplementary schedules as of March 31, 2004, will promptly be made available to those Daiwa Securities America Inc. members and allied members whose signatures do not appear below.



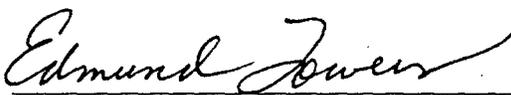
Shuji Nishiyama
Co-President and Co-Chief Operating Officer



Ikuo Mori
Chairman and Chief Executive Officer



Richard G. Beggs
Co-President and Co-Chief Operating Officer



Edmund Towers
Senior Vice President and Chief Financial Officer


MADELINE GAIR
Notary Public, State of New York
No. 01GA6023311
Qualified in Queens County
Commission Expires April 19, 2007

Subscribed and Sworn to
before me this 7th day of May 2004



KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Stockholder of
Daiwa Securities America Inc.:

We have audited the accompanying statement of financial condition of Daiwa Securities America Inc. (the Company) (a New York corporation and a wholly owned subsidiary of Daiwa America Corporation and Subsidiaries) as of March 31, 2004 that you are filing pursuant to rule 17a-5 under the Securities and Exchange Act of 1934 and Regulation 1.10 under the Commodity Exchange Act. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit of a statement of financial condition includes examining, on a test basis, evidence supporting the amounts and disclosures in that statement of financial condition. An audit of a statement of financial condition also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Daiwa Securities America Inc. as of March 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the statement of financial condition taken as a whole. The supplementary information included in Schedules I, II, III and IV is presented for purposes of additional analysis and is not a required part of the basic statement of financial condition, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934 and Regulation 1.10 under the Commodity Exchange Act. Such information has been subjected to the auditing procedures applied in the audit of the statement of financial condition and, in our opinion, is fairly stated in all material respects in relation to the statement of financial condition taken as a whole.

KPMG LLP

May 7, 2004



DAIWA SECURITIES AMERICA INC.

Statement of Financial Condition

March 31, 2004

(in thousands, except per share data)

Assets

Cash and cash equivalents	\$	254,473
Cash and securities segregated under federal and other regulations		62,366
Securities purchased under agreements to resell		16,228,436
Receivable from brokers, dealers and clearing organizations		617,707
Securities borrowed		501,159
Securities owned, at market value		103,714
Receivable from customers		51,249
Investment in limited partnership		32,962
Office furniture, equipment, and leasehold improvements, at cost, less accumulated depreciation and amortization of \$29,179		12,640
Receivable from affiliates		5,845
Exchange memberships, at cost (market value \$8,091)		2,789
Other assets		37,737
Total assets	\$	<u>17,911,077</u>

Liabilities and Stockholder's Equity

Liabilities:

Securities sold under agreements to repurchase	\$	17,172,916
Payable to brokers, dealers and clearing organizations		189,469
Payable to Parent and affiliates		88,124
Payable to customers		59,550
Loans payable		25,659
Securities sold, but not yet purchased, at market value		11,511
Securities loaned		4,893
Accounts payable and accrued liabilities		61,067
		<u>17,613,189</u>
Subordinated liabilities		200,000
Total liabilities		<u>17,813,189</u>
Stockholder's equity:		
Common stock, no par value, stated value \$25,000 per share. Authorized 6,640 shares; issued and outstanding 4,000 shares		100,000
Additional paid-in capital		4,402
Accumulated deficit		(6,514)
Total stockholder's equity		<u>97,888</u>
Total liabilities and stockholder's equity	\$	<u>17,911,077</u>

See accompanying notes to statement of financial condition.

DAIWA SECURITIES AMERICA INC.

Notes to Statement of Financial Condition

March 31, 2004

(1) Organization

Daiwa Securities America Inc. (the Company) is a wholly owned subsidiary of Daiwa America Corporation (the Parent). The Parent is a wholly owned subsidiary of Daiwa Securities Group Inc. (Daiwa Tokyo), a Japanese holding company that does not operate as a securities firm. A subsidiary of Daiwa Tokyo, Daiwa Securities SMBC Co. Ltd. (DS SMBC) operates as a registered Japanese securities firm and clears transactions for the Company in Japan.

The Company is a registered broker-dealer and futures commission merchant, whose activities include brokerage, trading of various securities primarily in U.S. and Japanese markets and investment banking. The Company also contracts out, on a fee basis, full service back office support to registered broker dealers.

(2) Summary of Significant Accounting Policies

Securities owned, securities sold, but not yet purchased, and open futures contracts are valued at market or fair value. Principal transactions are recorded on a trade date basis.

Securities purchased under agreements to resell (reverse repurchase agreements or resale agreements) and securities sold under agreements to repurchase (repurchase agreements) are collateralized financing transactions. The agreements provide that the transferor will receive substantially the same securities in return at the maturity of the agreement and the transferor obtain from the transferee sufficient cash or collateral to purchase such securities during the term of the agreement. These securities are carried at the amounts at which they will be subsequently resold or repurchased plus accrued interest.

For purposes of the accompanying statement of financial condition, the Company classifies marketable securities with original maturities of three months or less as securities owned.

Cash and cash equivalents include cash in banks and investments in overnight money market mutual funds.

Office furniture and equipment are depreciated on a straight-line basis over their estimated useful lives, up to five years. Leasehold improvements are amortized over the lesser of their useful life or the term of the related lease.

Investment in limited partnership is accounted for using the equity method as defined in Accounting Principles Board Opinion 18 (APB 18). The investment was originally recorded at cost and is adjusted to recognize the Company's share of the earnings or losses of the limited partnership.

In the normal course of its business, the Company engages in buying and selling securities denominated in foreign currencies. The Company enters into foreign currency exchange contracts to minimize the risk of foreign currency fluctuations. Foreign currency assets and liabilities are revalued at the current spot rate. Foreign exchange contracts are revalued at the forward rate to maturity.

In accordance with Financial Accounting Statement No. 109, *Accounting for Income Taxes* (FAS 109), the Parent allocates to the Company its proportionate share of the consolidated federal and combined state and local tax liabilities on a separate company basis. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the statement of financial condition carrying amounts of existing assets and liabilities and their respective tax basis, as well as the estimated

DAIWA SECURITIES AMERICA INC.

Notes to Statement of Financial Condition

March 31, 2004

future tax consequences attributable to net operating loss carryforwards. A valuation allowance is established if, based on all available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company's statement of financial condition is prepared in accordance with accounting principles generally accepted in the United States of America and prevailing industry practice, both of which require the use of management's best judgment of estimates. Estimates, including the fair value of instruments, may vary from actual results. Management does not believe that actual results will differ materially from these estimates.

In November 2002, the Financial Accounting Standards Board (FASB) issued Interpretation No. 45 (FIN 45), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. FIN 45 elaborates on the disclosures to be made by a guarantor in its interim and annual statement of financial condition about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The disclosure requirements in this Interpretation are effective for statement of financial condition for periods ending after December 15, 2002. The Company does not have any guarantees that are required to be recognized under FIN 45.

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities*. FIN 46 clarifies the application of Accounting Research Bulletin No. 51 (ARB 51), *Consolidated Financial Statements*, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. On December 24, 2003, FASB issued an Interpretation, which clarified and modified FIN 46 (FIN 46R). Application of FIN 46 and FIN 46R will be required in the Company's March 31, 2005 statement of financial condition. Management is currently evaluating the future impact of FIN 46 and FIN 46R on its accounts.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity* (SFAS 150). This statement requires that certain financial instruments that, under previous guidance, issuers could account for as equity, be classified as liabilities in statements of financial condition. This statement is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. It is not expected that SFAS 150 will have any effect on the Company's statement of financial condition.

(3) Cash and Securities Segregated Under Federal and Other Regulations

Cash of \$25,366,395 is segregated in accordance with the Commodity Exchange Act. This balance represents funds deposited by customers and funds accruing to customers as a result of trades or contracts.

Cash of \$37,000,000 is segregated in special reserve bank accounts for the exclusive benefit of customers under Regulation 15c3-3 of the Securities and Exchange Act.

DAIWA SECURITIES AMERICA INC.

Notes to Statement of Financial Condition

March 31, 2004

(4) Securities Purchased and Sold under Agreements to Resell and Repurchase

Securities purchased and sold under agreements to resell and repurchase are accounted for as collateralized financing transactions and are carried at contract value plus accrued interest. It is the policy of the Company to obtain possession of collateral with market values equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily, and the Company may require counterparties to deposit additional collateral when appropriate. As of March 31, 2004, the Company has accepted securities with market values of approximately \$53,294,000,000 under resale agreements and pledged securities with market values of approximately \$54,145,000,000 under repurchase agreements, prior to the application of Financial Accounting Standards Board (FASB) Interpretation No. 41, *Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements* (FIN 41). Reverse repurchase agreements and repurchase agreements are reported net by counterparty when permitted under FIN 41. At March 31, 2004, the Company's assets and liabilities were netted by approximately \$37,235,000,000 as a result of the application of FIN 41.

As of March 31, 2004, the Company has the right to sell or repledge substantively all of the securities it has received under its resale agreements. Of this amount, substantively all were repledged as of March 31, 2004. These repledged securities have been used in the normal course of business.

The Company's counterparties to its repurchase agreements have the right by contract or custom to sell or repledge the Company's pledged proprietary securities. As of March 31, 2004, the Company has pledged approximately \$456,000,000 of proprietary securities related to the Company's repurchase agreements.

Securities borrowed and securities loaned transactions are reported as collateralized financing transactions. Securities borrowed transactions require the Company to deposit cash with the lender. With respect to securities loaned, the Company receives collateral in the form of cash in an amount generally in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary. As of March 31, 2004, the Company has received securities with a market value of approximately \$492,000,000 related to its securities borrowed transactions and approximately \$5,000,000 related to its securities loaned transactions.

As of March 31, 2004, the Company has the right to sell or repledge substantively all of the securities it has received under its securities borrowed transactions. The Company repledged substantively all of these securities as of March 31, 2004. These repledged securities have been used in the normal course of business.

The Company's counterparties to its securities loaned transactions have the right by contract or custom to sell or repledge the Company's pledged proprietary securities. As of March 31, 2004, there was no proprietary securities pledged related to the Company's securities loaned transactions included in securities pledged to counterparties.

DAIWA SECURITIES AMERICA INC.

Notes to Statement of Financial Condition

March 31, 2004

(5) Securities Owned and Securities Sold, But Not Yet Purchased

At March 31, 2004, securities owned and securities sold, but not yet purchased, consisted of the following (in thousands):

Securities owned, at market value:

U.S. Government and agency obligations	\$	101,034
Corporate stock		1,968
Other		712
	\$	<u>103,714</u>

Securities sold, but not yet purchased, at market value:

U.S. Government and agency obligations	\$	9,853
Corporate stock		1,658
	\$	<u>11,511</u>

(6) Receivable From and Payable To Brokers, Dealers and Clearing Organizations

At March 31, 2004, amounts receivable from and payable to brokers, dealers and clearing organizations consisted of the following (in thousands):

Receivable from brokers, dealers and clearing organizations:

Net trade date accrual	\$	381,867
Securities failed to deliver		228,203
Other		7,637
	\$	<u>617,707</u>

Payable to brokers, dealers and clearing organizations:

Securities failed to receive	\$	189,322
Other		147
	\$	<u>189,469</u>

(7) Receivable From and Payable To Customers

Receivable from and payable to customers primarily relate to securities transactions. These receivables are typically collateralized by securities, the value of which is not reflected in the accompanying statement of financial condition.

(8) Loans Payable

Loans payable consists primarily of an overnight secured line of credit from a major financial institution at a rate of 30 basis points per annum. The loan is primarily used to finance the Company's securities operations.

DAIWA SECURITIES AMERICA INC.

Notes to Statement of Financial Condition

March 31, 2004

(9) Subordinated Liabilities

As of March 31, 2004, the Company has two subordinated notes payable to the Parent of \$150,000,000 and \$50,000,000, which are due on May 31, 2006 and April 3, 2006, respectively. Both of the notes are treated as equity, as defined under the Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Act (Rule 15c3-1). Repayment of the loan is contingent upon the Company being compliant with certain net capital requirements of the Securities and Commodities Exchange Acts.

Each of the notes bear interest at rates based on the London Interbank Offered Rate (LIBOR) plus 25 basis points. These liabilities are subordinated to the claims of general creditors of the Company and have been approved as regulatory capital and, accordingly, are included as net capital by the Company in computing net capital under Rule 15c3-1.

(10) Commitments, Contingencies and Guarantees

The Company leases and subleased office space under noncancelable lease agreements expiring at various dates through the year ending March 31, 2011. The occupancy leases are subject to escalation based on certain costs incurred by the landlord. Minimum rentals, excluding escalation, under these lease agreements are approximately (in thousands):

	<u>Occupancy leases</u>	<u>Subleases</u>
Year ending March 31:		
2005	\$ 4,984	1,981
2006	5,181	1,838
2007	5,573	1,553
2008	5,573	1,553
2009	5,573	1,553
Thereafter	7,777	2,200

The Company has been named as a defendant in civil actions including actions arising out of its activities as an underwriter. These actions purport to be brought on behalf of various classes of claimants who seek damages of material or indeterminate amounts. Based upon discussions with counsel, it is management's opinion that these actions will not have a material adverse effect on the financial condition of the Company.

In the normal course of business, the Company provides guarantees to securities clearinghouses and exchanges. These guarantees are generally required under the standard membership agreements, such that members are required to guarantee the performance of other members. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral. The Company's obligation under such guarantees could exceed the collateral amounts posted; however, the potential for the Company to be required to make payments under such guarantees is deemed remote.

DAIWA SECURITIES AMERICA INC.

Notes to Statement of Financial Condition

March 31, 2004

(11) Net Capital Requirements

The Company is a registered U.S. broker-dealer and futures commission merchant subject to Rule 15c3-1 of the Securities Exchange Act and Rule 1.17 of the Commodity Exchange Act, which specify uniform minimum net capital requirements, as defined, for their registrants. The Company has elected to use the alternative method of computing net capital, permitted by Rule 15c3-1, which requires that the Company maintain minimum net capital, as defined, of the greater of:

- a. \$250,000;
- b. 2% of aggregate debit balances arising from customer transactions, as defined; or
- c. 4% of the funds required to be segregated pursuant to the Commodity Exchange Act, and the regulations thereunder

At March 31, 2004, the Company had net capital of \$197,733,000, which was \$195,592,000 in excess of the minimum net capital required under Rule 15c3-1.

(12) Income Taxes

The Company has available net operating loss carryforwards (NOLs) of approximately \$4,112,000 that expire at various times between 2019 and 2024. As of March 31, 2004, the total deferred tax asset was approximately \$9,927,000, which primarily relates to NOLs, deferred employee compensation and other accruals. The Company has established a full valuation allowance for the deferred tax asset due to its doubtful realization.

DAIWA SECURITIES AMERICA INC.

Notes to Statement of Financial Condition

March 31, 2004

(13) Related Party Transactions

In conducting its business, the Company engages in transactions with the Parent and affiliated companies. These transactions include, but are not limited to, providing investment advisory services and executing trades in local markets. In addition, the Company executes loans and enters into reverse repurchase and repurchase agreements with its affiliates. The following amounts are included in the accompanying statement of financial condition (in thousands):

Assets:

Securities purchased under agreements to resell	\$	3,744,142
Receivable from brokers, dealers and clearing organizations		1,335
Securities borrowed		1,480
Receivable from customers		341
Receivable from affiliates		5,845

Liabilities:

Securities sold under agreements to repurchase	\$	1,010,558
Payable to brokers, dealers and clearing organizations		1,080
Payable to Parent and affiliates		88,124
Payable to customers		657
Subordinated liabilities	\$	200,000

(14) Retirement Plan

All local employees are eligible for participation in the retirement plan (the Plan) after six months of service. The Plan, established June 1, 1985, and amended October 1, 1989, is a profit-sharing plan qualifying under Section 401(a) of the Internal Revenue Code of 1986 (the Code), as amended, and includes a cash or deferred arrangement qualifying under Sections 401(k) and (m) of the Code. The Company contributes 3% of the employees' earnings as defined by the Plan. An additional 3% of earnings can be contributed by management, at their discretion.

(15) Off-Balance Sheet Market Risk and Concentrations of Credit Risk

(a) Market Risk

In the normal course of its operations, the Company enters into various contractual commitments involving forward settlement. These include financial futures and options contracts and commitments to buy and sell securities, and foreign currencies. Commitments involving future settlement give rise to market risk, which represents the potential loss that can be caused by a change in the market value of a particular financial instrument.

The Company monitors and manages its market risk exposure by reviewing the effectiveness of hedging strategies and setting market risk limits. The Company's policy is to take possession of securities purchased under agreements to resell and securities borrowed and maintain these securities with its custodian. The Company monitors the market value of the assets acquired to ensure their adequacy as compared to the amount at which the securities will be subsequently resold, as specified

DAIWA SECURITIES AMERICA INC.

Notes to Statement of Financial Condition

March 31, 2004

in the respective agreements. The agreements provide that, where appropriate, the Company may require the delivery of additional collateral.

The Company records all contractual commitments involving future settlement at market or fair value.

Futures contracts are executed on an exchange and cash settlement is made on a daily basis for market movements. Margin on futures contracts is included in receivable/payable to brokers, dealers and clearing organizations. Options are recorded at fair value on the statement of financial condition. Fair value of the options is the unrealized gains or losses on the contract and is recorded in securities owned and securities sold, but not yet purchased.

(b) Concentrations of Credit Risk

Credit risk is measured by the loss that the Company would record if its counterparties failed to perform pursuant to terms of contractual commitments. Management of credit risk involves a number of considerations, such as the financial profile of the counterparty, specific terms, and duration of the contractual agreement, market fluctuations, and the value of collateral held, if any. The Company has established various procedures to manage credit exposure, including initial credit approval, credit limits, collateral requirements, rights of offset, and continuous oversight.

The Company regularly transacts business with, and owns securities issued by, a broad range of corporations, governments and agencies and other financial institutions. The Company also enters into collateralized financing agreements in which it extends short-term credit, primarily to major financial institutions including major U.S. and non-U.S. commercial banks, investment banks, and affiliates.

The Company generally controls access to the collateral pledged by the counterparties, which consists largely of securities issued by the U.S. Government or its agencies. The value and adequacy of the collateral are continually monitored. Consequently, the risk of credit loss from counterparties' failure to perform in connection with collateralized lending activities is minimal.

Remaining concentrations arise principally from financial or contractual commitments involving future settlements, fixed-income securities, and equity securities. Concentrations are diverse with respect to geographic locations and industries of counterparties. North America and the Pacific Rim represent the largest concentrations geographically. Among types of industries, U.S. based and International financial institutions represent the largest group of counterparties.

Substantially all of the Company's cash and securities positions are either held as collateral by its clearing brokers and banks against various margin obligations of the Company or deposited with such clearing brokers and banks for safekeeping purposes.

DAIWA SECURITIES AMERICA INC.

Notes to Statement of Financial Condition

March 31, 2004

(16) Fair Value Information

All of the Company's financial instruments are stated at market value, except for securities purchased under agreements to resell, securities sold under agreements to repurchase, securities borrowed, securities loaned, loans payable and subordinated liabilities, which are stated at their contract values. The contract value for these financial instruments are considered to approximate fair value as they are short term in nature, bear interest at current market rates or are subject to repricing.

BROKER OR DEALER
DAIWA SECURITIES AMERICA INC.

as of 03/31/04

COMPUTATION OF NET CAPITAL

1. Total ownership equity (from Statement of Financial Condition – Item 1800)		\$ 97,888,000
2. Deduct: Ownership equity not allowable for Net Capital.....	(_____)
3. Total ownership equity qualified for Net Capital		<u>97,888,000</u>
4. Add:		
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital....		<u>200,000,000</u>
B. Other (deductions) or allowable credits (List).....		_____
5. Total capital and allowable subordinated liabilities		<u>\$ 297,888,000</u>
6. Deductions and/or charges:		
A. Total non-allowable assets from		
Statement of Financial Condition (Notes B and C)	\$ 70,435,000	
1. Additional charges for customers' and		
non-customers' security accounts		_____
2. Additional charges for customers' and		
non-customers' commodity accounts		_____
B. Aged fail-to-deliver:		_____
1. number of items		_____
C. Aged short security differences-less		
reserve of	\$	_____
number of items		_____
D. Secured demand note deficiency		_____
E. Commodity futures contracts and spot commodities –		
proprietary capital charges		<u>285,000</u>
F. Other deductions and/or charges		<u>22,218,000</u>
G. Deductions for accounts carried under		
Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x)		_____
H. Total deductions and/or charges		<u>(92,938,000)</u>
7. Other additions and/or allowable credits (List).....		_____
8. Net Capital before haircuts on securities positions		<u>\$ 204,950,000</u>
9. Haircuts on securities: (computed, where applicable,		
pursuant to 15c3-1(f)):		
A. Contractual securities commitments	\$	_____
B. Subordinated securities borrowings.....		_____
C. Trading and investment securities:.....		
1. Bankers' acceptances, certificates of deposit		
and commercial paper		_____
2. U.S. and Canadian government obligations		<u>1,602,000</u>
3. State and municipal government obligations		_____
4. Corporate obligations		_____
5. Stocks and warrants		<u>470,000</u>
6. Options		_____
7. Arbitrage		_____
8. Other securities.....		<u>5,145,000</u>
D. Undue concentration.....		_____
E. Other (List).....		<u>(7,217,000)</u>
10. Net Capital		<u>\$ 197,733,000</u>

The above computation does not differ materially from the computation included in the Company's FOCUS Forum X-17A-5 Part II filed on April 26, 2004.

BROKER OR DEALER DAIWA SECURITIES AMERICA INC.	as of <u>03/31/04</u>
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COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimal net capital required (6-2/3% of line 19)	\$ _____
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$ _____
13. Net capital requirement (greater of line 11 or 12)	\$ _____
14. Excess net capital (line 10 less 13)	\$ _____
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$ _____

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$ _____
17. Add:	
A. Drafts for immediate credit	\$ _____
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$ _____
C. Other unrecorded amounts (List)	\$ _____
18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-1(c)(1)(vii)	\$ _____
19. Total aggregate indebtedness	\$ _____
20. Percentage of aggregate indebtedness to net capital (line 19 divided by line 10)	% _____
21. Percentage of aggregate indebtedness to net capital after anticipated capital withdrawals (line 19 divided by line 10 less item 4880 page 12)	% _____

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$ 2,141,000
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note(A)	\$ 250,000
24. Net capital requirement (greater of line 22 to 23)	\$ 2,141,000
25. Excess net capital (line 10 less 24)	\$ 195,592,000
26. Percentage of Net Capital to Aggregate Debts (line 10 divided by line 17 page 8)	% 197.06
27. Percentage of Net Capital, after anticipated capital withdrawals, to Aggregate Debts (item 10 less item 4880 page 12 divided by line 17 page 8)	% 197.06
28. Net capital in excess of the greater of: 5% of combined aggregate debit items or 120% of minimum net capital requirement	\$ 192,716,000

OTHER RATIOS

Part C

29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	% _____
30. Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(5), (a)(7) and (c)(2)(x) divided by Net Capital	% _____

The above computation does not differ materially from the computation included in the Company's FOCUS Forum X-17A-5 Part II filed on April 26, 2004.

DAIWA SECURITIES AMERICA INC.

Schedule of Nonallowable Assets

March 31, 2004

(in thousands)

Nonmarketable securities	\$	712
Unsecured receivable from customers		124
Receivable from affiliates		5,845
Exchange memberships		2,789
Office furniture, equipment, and leasehold improvements		12,640
Investment in limited partnership		32,962
Other		15,363
		<hr/>
Total nonallowable assets	\$	<u>70,435</u>

The above computation does not differ materially from the computation included in the Company's FOCUS Forum Z-17A-5 Part II filed on April 26, 2004.

BROKER OR DEALER
DAIWA SECURITIES AMERICA INC.

as of 03/31/04

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
FOR BROKER-DEALERS UNDER RULE 15c3-3**

CREDIT BALANCES

1. Free credit balances and other credit balances in customers' security accounts (see Note A, Exhibit A, Rule 15c3-3).....	\$ 70,799,000	
2. Monies borrowed collateralized by securities carried for the accounts of customers (see Note B)		
3. Monies payable against customers' securities loaned (see Note C)		
4. Customers' securities failed to receive (see Note D)	50,521,000	
5. Credit balances in firm accounts which are attributable to principal sales to customers		
6. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days		
7. ** Market value of short security count differences over 30 calendar days old		
8. ** Market value of short securities and credits (not to be offset by longs or by debits) in all suspense accounts over 30 calendar days	86,000	
9. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days		
10. Other (List)		
11. TOTAL CREDITS		\$ 121,406,000

DEBIT BALANCES

12. ** Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to Note E, Exhibit A, Rule 15c3-3.....	\$ 50,783,000	
13. Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver		
14. Failed to deliver of customers' securities not older than 30 calendar days	49,559,000	
15. Margin required and on deposit with the Options Clearing Corporation for all option contracts written or purchased in customer accounts (see Note F)		
16. Other (List)		
17. ** Aggregate debit items		\$ 100,342,000
18. ** Less 3% (for alternative method only - see Rule 15c3-1(f)(5)(i))		(3,010,000)
19. ** TOTAL 15c3-3 DEBITS		97,332,000

RESERVE COMPUTATION

20. Excess of total debits over total credits (line 19 less line 11)	\$	
21. Excess of total credits over total debits (line 11 less line 19)		24,074,000
22. If computation permitted on a monthly basis, enter 105% of excess of total credits over total debits		
23. Amount held on deposit in "Reserve Bank Account(s)", including value of qualified securities, at end of reporting period		37,000,000
24. Amount of deposit (or withdrawal) including \$ _____ value of qualified securities		8,000,000
25. New amount in Reserve Bank Account(s) after adding deposit or subtracting withdrawal including \$ _____ value of qualified securities	\$	45,000,000
26. Date of deposit (MMDDYY)		04/02/04

FREQUENCY OF COMPUTATION

27. Daily _____ Weekly X Monthly _____

** In the event the Net Capital Requirement is computed under the alternative method, this "Reserve Formula" shall be prepared in accordance with the requirements of paragraph (f) of Rule 15c3-1.

The above computation does not differ materially from the computation included in the Company's FOCUS Forum X-17A-5 Part II filed on April 26, 2004.

BROKER OR DEALER
DAWA SECURITIES AMERICA INC.

as of 03/31/04

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
FOR BROKER-DEALERS UNDER RULE 15c3-3**

EXEMPTIVE PROVISIONS

26. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

- A. (k) (1) \$2,500 capital category as per Rule 15c3-1 \$ _____
- B. (k) (2) (A)-"Special Account for the Exclusive Benefit of customers" maintained _____
- C. (k) (2) (B)-All customer transactions cleared through another broker-dealer on a fully disclosed basis.
Name of clearing firm _____
- D. (k) (3)-Exempted by order of the Commission _____

Information of Possession or Control Requirements Under Rule 15c3-3

State the market valuation and the number of items of:

- 1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3. Notes A and B \$ _____
 - A. Number of items _____
- 2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3. Notes B, C and D _____
 - A. Number of items \$ _____
- 3. The system and procedures utilized in complying with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities have been tested and are functioning in a manner adequate to fulfill the requirements of Rule 15c3-3 Yes No _____

The above computation does not differ materially from the computation included in the Company's FOCUS Forum X-17A-5 Part II filed on April 26, 2004.

BROKER OR DEALER
DAWA SECURITIES AMERICA INC.

as of 03/31/04

COMPUTATION OF CFTC MINIMUM NET CAPITAL REQUIREMENT

A. Amounts required to be segregated or set aside in separate accounts for customers pursuant to CEAct and regulations			
i. U.S. futures & options (page T10-1, line 6)	\$	32,023,000	
ii. Dealer options (page T10-2, line 1)			
iii. Foreign futures & options (page T10-3, line 1)		3,437,000	
iv. Subtotal			\$ 35,460,000
B. Deductions for open long U.S. and foreign options in customers' accounts			
i. Value of long options included in line A			
ii. With respect to each option customer, the amount of long values included in line B.i., which exceeds the net liquidating equity in that option customers' account	()	
iii. Net deduction for open long customer options			()
C. Amount subject in 4% net capital factor (Item 7430 less item 7460)	\$	35,460,000	
D. Enter 4% of line C	\$	1,418,000	
E. Minimum CFTC Net Capital Requirement. Enter the greater of line D or \$250,000 (See Note)			<u>1,418,000</u>

The above computation does not differ materially from the computation included in the Company's FOCUS Forum X-17A-5 Part II filed on April 26, 2004.

BROKER OR DEALER
DAIWA SECURITIES AMERICA INC.

as of 03/31/04

STATEMENT OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION
FOR CUSTOMERS TRADING ON U.S. COMMODITY EXCHANGES

SEGREGATION REQUIREMENTS (Section 4d(2) of the CEAct)

1. Net ledger balance		
A. Cash		\$ 11,993,000
B. Securities (at market)		25,822,000
2. Net unrealized profit (loss) in open futures contracts traded on a contract market		(6,133,000)
3. Exchange traded options		
A. Add market value of open option contracts purchased on a contract market		_____
B. Deduct market value of open option contracts granted (sold) on a contract market		()
4. Net equity (deficit) (add lines 1, 2, and 3)		31,682,000
5. Accounts liquidating to a deficit and accounts with debit balances		
- gross amount	341,000	
Less: amount offset against U.S. Treasury obligations owned by particular customers	()	341,000
6. Amount required to be segregated (add lines 4 and 5)		\$ 32,023,000

FUNDS IN SEGREGATED ACCOUNTS

7. Deposited in segregated funds bank accounts		
A. Cash		112,000
B. Securities representing investments of customers' funds (at market)		16,250,000
C. Securities held for particular customers or option customers in lieu of cash (at market)		_____
8. Margins on deposit with clearing organizations of contract markets		
A. Cash		\$ 54,000
B. Securities representing investments of customers' funds (at market)		4,500,000
C. Securities held for particular customers or option customers in lieu of cash (at market)		25,822,000
9. Net settlement from (to) clearing organizations of contract markets		(621,000)
10. Exchange traded options		
A. Value of open long option contracts		_____
B. Value of open short option contracts		()
11. Net equities with other FCMs		
A. Net liquidating equity		_____
B. Securities representing investments of customers' funds (at market)		_____
C. Securities held for particular customers or option customers in lieu of cash (at market)		_____
12. Segregated funds on hand (describe: _____)		_____
13. Total amount in segregation (add lines 7 through 12)		46,117,000
14. Excess (deficiency) funds in segregation (subtract line 6 from line 13)		\$ 14,094,000

The above computation does not differ materially from the computation included in the Company's FOCUS Forum X-17A-5 Part II filed on April 26, 2004.

BROKER OR DEALER
DAWA SECURITIES AMERICA INC.

as of 03/31/04

**STATEMENT OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION
FOR CUSTOMERS' DEALER OPTION ACCOUNTS**

1. Amount required to be segregated in accordance with Commission regulation 32.6		\$ _____
2. Funds in segregated accounts		
A. Cash	\$ _____	
B. Securities (at market)	_____	
C. Total		_____
3. Excess (deficiency) funds in segregation (subtract line 2.C from line 1)		\$ _____

The above computation does not differ materially from the computation included in the Company's FOCUS Forum X-17A-5 Part II filed on April 26, 2004.

BROKER OR DEALER

DAIWA SECURITIES AMERICA INC.

as of 03/31/04

STATEMENT OF SECURED AMOUNTS AND FUNDS HELD IN SEPARATE ACCOUNTS
FOR FOREIGN FUTURES AND FOREIGN OPTIONS CUSTOMERS
PURSUANT TO COMMISSION REGULATION 30.7

FOREIGN FUTURES AND FOREIGN OPTIONS SECURED AMOUNTS – SUMMARY

I. Check the appropriate box to identify the amount shown on line 1, below

Secured amounts in only U.S. – domiciled customers' accounts

Secured amounts in U.S. and foreign – domiciled customers' accounts

Net liquidating equities in all accounts of customers
trading on foreign boards of trade

Amount required to be set aside pursuant to law, rule
or regulation of a foreign government or a rule of a
self-regulatory organization authorized thereunder.

II. Has the FCM changed the method of calculating the amount to be set aside in separate
accounts since the last financial report it filed?

Yes

If yes, explain the change below

No

1. Amount to be set aside in separate section 30.7 accounts	\$ 3,437,000
2. Total funds in separate section 30.7 accounts (page T10-4, line 8)	5,096,000
3. Excess (deficiency) – (subtract line 1 from line 2)	\$ 1,659,000

The above computation does not differ materially from the computation included in the Company's FOCUS Forum X-17A-5 Part II filed on April 26, 2004.

BROKER OR DEALER
DAWA SECURITIES AMERICA INC.

as of 03/31/04

STATEMENT OF SECURED AMOUNTS AND FUNDS HELD IN SEPARATE ACCOUNTS
FOR FOREIGN FUTURES AND FOREIGN OPTIONS CUSTOMERS
PURSUANT TO COMMISSION REGULATION 30.7

FUNDS DEPOSITED IN SEPARATE REGULATION 30.7 ACCOUNTS

1. Cash in banks			
A. Banks located in the United States	\$	235,000	
B. Other banks designated by the Commission			
Name(s): <u>CITIBANK TOKYO</u>		69,000	\$ 304,000
2. Securities			
A. In safekeeping with banks located in the United States	\$	4,200,000	
B. In safekeeping with other banks designated by the Commission			
Name(s): _____			4,200,000
3. Equities with registered futures commission merchants			
A. Cash	\$	252,000	
B. Securities			
C. Unrealized gain (loss) on open futures contracts		13,000	
D. Value of long option contracts			
E. Value of short option contracts	()	265,000
4. Amounts held by clearing organizations of foreign boards of trade			
Name(s): _____			
A. Cash	\$		
B. Securities			
C. Amount due to (from) clearing organizations – daily variation			
D. Value of long option contracts			
E. Value of short option contracts			
5. Amounts held by members of foreign boards of trade			
Name(s): _____			
A. Cash	\$	250,000	
B. Securities			
C. Unrealized gain (loss) on open futures contracts		75,000	
D. Value of long option contracts			
E. Value of short option contracts	()	325,000
6. Amounts with other depositories designated by a foreign board of trade			
Name(s): _____			
7. Segregated funds on hand (describe: _____)			
8. Total funds in separate section 30.7 accounts (to page T10-3 line 2)	\$		5,094,000

The above computation does not differ materially from the computation included in the Company's FOCUS Forum X-17A-5 Part II filed on April 26, 2004.



KPMG LLP
345 Park Avenue
New York, NY 10154

**Independent Auditors' Report on Internal Control
Pursuant to SEC Rule 17a-5 and CFTC Regulation 1.16**

The Stockholder of
Daiwa Securities America Inc.:

In planning and performing our audit of the financial statements of Daiwa Securities America Inc. (the Company) (a New York corporation and a wholly owned subsidiary of Daiwa America Corporation and Subsidiaries), for the year ended March 31, 2004, we considered its internal control, including control activities for safeguarding securities and customer and firm assets, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC) and Regulation 1.16 of the Commodity Futures Trade Commission (CFTC), we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) and Regulation 1.16, in the following:

1. Making the periodic computations of aggregate debits and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e);
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13;
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System;
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3;
5. Making the periodic computations of minimum financial requirements pursuant to Regulation 1.17;
6. Making the daily computations of the segregation requirements of section 4d(2) of the Commodity Exchange Act and the regulations thereunder, and the segregation of funds based on such computations;
7. Making the daily computations of the foreign futures and foreign options secured amount requirements pursuant to Regulation 30.7 of the CFTC;

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the

preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's and CFTC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) and Regulation 1.16 lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities and customer and firm assets, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC and CFTC to be adequate for their purposes in accordance with the Securities Exchange Act of 1934 and the Commodity Exchange Act and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at March 31, 2004, to meet the SEC's and CFTC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the CFTC, the New York Stock Exchange, the National Futures Association and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 and Regulation 1.16 of the CFTC in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

May 7, 2004